

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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| ELECTRONIC APPLICATION OF DUKE ENERGY) | |
| KENTUCKY, INC., FOR: 1) AN ADJUSTMENT OF) | |
| THE ELECTRIC RATES; 2) APPROVAL OF AN) | CASE NO. |
| ENVIRONMENTAL COMPLIANCE PLAN AND) | 2017-00321 |
| SURCHARGE MECHANISM; 3) APPROVAL OF) | |
| NEW TARIFFS; 4) APPROVAL OF ACCOUNTING) | |
| PRACTICES TO ESTABLISH REGULATORY) | |
| ASSETS AND LIABILITIES; AND 5) ALL OTHER) | |
| REQUIRED APPROVALS AND RELIEF) | |

COMMISSION STAFF'S FIRST REHEARING REQUEST FOR INFORMATION
TO DUKE ENERGY KENTUCKY, INC.

Duke Energy Kentucky, Inc. ("Duke Kentucky"), pursuant to 807 KAR 5:001, is to file with the Commission the original and an electronic version of its responses to the following information, with a copy to all parties of record. The information requested herein is due on or before July 9, 2018. Responses to requests for information in paper medium shall be appropriately bound, tabbed and indexed. Electronic documents shall be in portable document format (PDF), shall be searchable and shall be appropriately bookmarked. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable

inquiry. Duke Kentucky shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which Duke Kentucky fails or refuses to furnish all or part of the requested information, it shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When filing a paper containing personal information, Duke Kentucky shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

1. Refer to Duke Kentucky's Application, Volume 1, Tab 21, line 8. Provide a detailed breakdown of "Other regulatory assets."

2. Refer to the Rebuttal Testimony of Sarah E. Lawler at 3–4. Provide workpapers and other supporting documents used to determine the \$209,019 revenue requirement increase identified as "Increase Income Tax Expense to Reflect Changes in Deferred Income Taxes" and described as an adjustment to account for the effect of revised projections in Accumulated Deferred Income Taxes ("ADIT") on capitalization. Provide all exhibits and schedules of the response in Excel spreadsheet format, with formulas intact and unprotected and all rows and columns fully accessible.

3. Refer to Duke Kentucky's Petition for Rehearing ("Petition"), page 3, regarding vegetation management expenses. The last sentence in the paragraph states

that the “revenue requirement” should be increased by \$250,009 due to the proposed change. Confirm that this statement should have stated that the “vegetation management expense” should be increased by \$250,009.

4. Refer to Duke Kentucky’s Petition, page 3, regarding the capitalization adjustment for East Bend deferral.

a. Confirm that Duke Kentucky’s capitalization includes the \$36,540,465 regulatory asset related to the deferral of the East Bend operations and maintenance (“O&M”) expense.

b. Confirm that Duke Kentucky’s position on this matter would allow it to earn a return on the East Bend regulatory asset at both the cost of debt and the weighted average cost of capital.

5. Refer to Duke Kentucky’s Petition, page 4, and Duke Kentucky’s Motion to File a Correction to the Rebuttal Testimony of William Don Wathen, Jr. and Sarah E. Lawler Corrected Testimony, Paragraph 6.e.

a. Provide the workpapers and other supporting documents used to determine the corrected test-year return of \$1,550,412 and proposed revenue requirement reduction of \$1,554,681 for the East Bend O&M regulatory asset.

b. Provide all exhibits and schedules of the response in Excel spreadsheet format, with formulas intact and unprotected and all rows and columns accessible.

6. Refer to Duke Kentucky’s Petition, page 5. Duke Kentucky states that the revenue requirement reduction for the East Bend O&M regulatory asset capitalization adjustment should be no more than the cost of long-term debt. Provide support that the

East Bend O&M regulatory asset is only included in the long-term debt of Duke Kentucky's capitalization.

7. Refer to Duke Kentucky's Petition, pages 7–8, regarding the adjustment to capitalization for excess ADIT.

a. Identify any adjustment to capitalization or the revenue requirement that Duke Kentucky proposed in its rebuttal testimony to account for its proposed amortization of excess ADIT.

b. Confirm that any adjustment to capitalization should be based on a 13-month average. If this cannot be confirmed, explain.

c. Explain why Duke Kentucky did not use a 13-month average capitalization to reflect the impact of the excess ADIT amortization on capitalization.

8. Refer to Duke Kentucky's Petition, page 8. Provide support for the pre-tax weighted average cost of capital of 8.446 percent.

9. Refer to Duke Kentucky's Petition, page 10. Duke Kentucky states that the Commission should recalculate the capacity rate for its cogeneration tariffs by updating the cost of debt and the capital structure used in the rate-of-return calculation. Given this request, state whether Duke Kentucky believes that the LED Outdoor Lighting Electric Service rates should also be recalculated. If yes, provide the updated rates in Excel format with the formulas intact and unprotected and all rows and columns accessible. If no, explain.

10. Refer to Duke Kentucky's Petition, page 12. Provide the number of annual bills that are for electric only, gas only, and combined customers.

11. Refer to Duke Kentucky's Petition, pages 14–15, Regulatory Asset Recovery. Confirm that Duke Kentucky's proposed total revenue requirement and revenue requirement increase presented in its application and rebuttal testimony included recovery of amortization of the listed regulatory assets. If this cannot be confirmed, explain.

12. Refer to Duke Kentucky's Petition, Exhibit 1. For each adjustment, provide the expense or revenue amount, the gross-up factor applicable to each expense or revenue, and the total revenue requirement impact.

13. Provide the inputs that comprise the short-term debt, long-term debt, and equity components of the capitalization structure.



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DATED **JUN 20 2018**

cc: Parties of Record

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